

## Message Text

PAGE 01 SEOUL 06034 090833Z

12/16

ACTION EB-07

INFO OCT-01 EA-10 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 IO-10 /115 W  
----- 014220

R 080606Z AUG 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 1961

INFO AMCONGEN HONG KONG

UNCLAS SEOUL 6034

C O R R E C T E D C O P Y P A R A S 1 A N D 2

E.O. 11652: N/A

TAGS: EIND, EINV, KS

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS - KOREA

REF: STATE 165596

SUMMARY THE ROKG, IN THE FACE OF RECENT INVESTOR CONCERNS ABOUT POLITICAL AND MILITARY SECURITY AND SPURRED ON BY THE PRESSING NEED TO ATTRACT FOREIGN CAPITAL TO EASE FOREIGN EXCHANGE SHORTAGES, CONTINUES TO ENERGETICALLY PROMOTE FOREIGN DIRECT INVESTMENT. AN ADDED INVESTOR CONCERN IS THAT OPIC, IN RESPONSE TO CONGRESSIONAL DIRECTIVES, IS REDUCING THEIR CURRENT INSURANCE EXPOSURE IN KOREA AND THUS PRESENTING SOME POTENTIAL INVESTORS WITH MODIFIED INSURANCE POLICIES, OR IN SOME CASES, NO INSURANCE AT ALL. EMBASSY ASSESSES INVESTMENT CLIMATE AS GENERALLY FAVORABLE. END SUMMARY

1. INVESTMENT INCENTIVES AND GUARANTEES PROVIDED UNDER THE FOREIGN CAPITAL INDUCEMENT LAW (FCIL) AND RELATED GOVERNMENT DECREES ARE:

UNCLASSIFIED

PAGE 02 SEOUL 06034 090833Z

(1) CORPORATE-INCOME, PROPERTY, AND PROPERTY-ACQUISITION TAXES ARE EXEMPTED FOR 5 YEARS, WITH 50 PCT REDUCTION OF THESE TAXES FOR THE ENSUING 3 YEARS (CUSTOMS DUTIES AND COMMODITY TAXES ON CAPITAL GOODS TO BE IMPORTED FOR INVESTMENT PURPOSES

ARE ALSO EXEMPTED); (2) REMITTANCE OF PROFITS, ROYALTIES AND THE REPAYMENT OF FOREIGN LOANS ARE GUARANTEED, AND INVESTED CAPITAL MAY BE REPATRIATED AFTER 2 YEARS FROM THE DATE WHEN THE ENTERPRISE COMMENCES ITS BUSINESS OPERATIONS; AND (3) REINVESTMENT OF PROFITS IS PERMITTED, UP TO THE AMOUNT OF THE ORIGINAL INVESTMENT, IN THE SAME ENTERPRISE (APPROVAL MUST BE OBTAINED IF THE AMOUNT OF REINVESTMENT EXCEEDS THE ORIGINAL CAPITAL OUTLAY). A US-ROK TREATY ON DOUBLE-TAXATION IS IN AN ADVANCED STAGE OF NEGOTIATIONS.

2. THERE ARE NO LEGAL RESTRICTIONS AS TO THE PERCENTAGE OF EQUITY THAT FOREIGN INVESTORS MAY HOLD. HOWEVER, A 1973 AMENDMENT TO THE FCIL STIPULATES THAT THE ECONOMIC PLANNING BOARD, IN GRANTING ITS APPROVAL OF FOREIGN BTEZVNALQ"&, WILL GIVE PRIORITY TO JOINT VENTURES WITH KOREAN PARTNERS. FOLLOWING THAT AMENDMENT, THE GOVERNMENT HAS ADHERED TO ITS POLICY ON 50/50 JOINT VENTURES WITH SOME FLEXIBILITY. THE MINIMUM AMOUNT OF ALLOWABLE INVESTMENT IS \$200,000 PER PROJECT, EXCEPT IN ELECTRONICS AND MACHINERY, WHERE A MINIMUM OF \$100,000 IS ALLOWED; A MINIMUM INVESTMENT OF \$50,000 IS ALLOWED UNDER CERTAIN SPECIAL CRITERIA. GOVERNMENT GUIDELINES RELATING TO INVESTMENTS WHICH IT CONSIDERS FAVORABLY, INCLUDE THOSE PROJECTS THAT ENTAIL LARGE CAPITAL OUTLAY, TECHNICAL KNOW-HOW AND MANAGEMENT; ARE EXPORT-ORIENTED; AND CATER TO DEVELOPMENT OF OVERSEAS MARKETS. PRIORITY AND FAVORABLE CONSIDERATION ARE EXPECTED TO BE GIVEN TO INVESTMENTS WHICH DEVELOP HEAVY INDUSTRY, CHEMICALS AND ELECTRONICS, AND 100 PCT EQUITY INVESTMENT MAY BE ALLOWED IN THESE AREAS. ROKG PRACTICE SEEMS TO FAVOR PROPOSALS FOR INVESTMENTS OVER THOSE WHICH INCLUDE ONLY LICENSING OF TECHNOLOGY.

3. JAPAN WITH \$352 MILLION AND THE U.S. WITH \$133 MILLION ACCOUNT FOR MOST OF THE \$519 MILLION IN TOTAL FOREIGN INVESTMENT ARRIVALS IN KOREA THROUGH 1974. INCREASED TENSIONS IN KOREAN-JAPANESE RELATIONS WERE A MAJOR FACTOR IN A DECLINE OF 43 PERCENT TO \$140 MILLION FOR NEW INVESTMENT APPROVALS IN 1974. A FACTOR WHICH WILL AFFECT SEVERAL LARGE U.S. INVESTMENTS  
UNCLASSIFIED

PAGE 03 SEOUL 06034 090833Z

PLANNED FOR 1975 IS THE UNCERTAINTY SURROUNDING THE OPIC INSURANCE PROGRAM.

4. INVESTMENT STATISTICS: THERE ARE NO DATA OR RELIABLE ESTIMATES ON THE BOOK VALUE OF FOREIGN INVESTMENT APPROVALS AND ARRIVALS IN KOREA WERE OBTAINED FROM THE ROKG ECONOMIC PLANNING BOARD. THE DATA ON KOREAN INVESTMENT IN U.S. WERE

OBTAINED FROM THE MINISTRY OF FINANCE BASED ON FOREIGN EXCHANGE OUTFLOW DATA THROUGH SEPTEMBER 30, 1974, THE LATEST DATA IN THAT DETAIL AVAILABLE.

A. U.S. EQUITY INVESTMENT IN KOREA END 1974 (\$ MILLIONS)

APPROVALS    ARRIVALS#1/

MINING AND SMELTING	-	-
PETROLEUM	33	26
MANUFACTURING	134	87
OTHER	32	20
TOTAL	199	133

#1/ SECTOR BREAK OUT ESTIMATED BY EMBASSY

B. TOTAL FOREIGN INVESTMENT IN KOREA END 1974 (\$MILLIONS)

APPROVALS    ARRIVALS

JAPAN	475	352
U.S.	199	133
FED. REP. OF GERMANY	9	8
OTHERS	41	26
TOTAL	724	519

C. KOREA INVESTMENT IN U.S. END 9/30/74 - \$6.2 MILLION.  
ERICSON

UNCLASSIFIED

<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 26 AUG 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DATA, INSTRUCTIONS, INVESTMENT OPPORTUNITY REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 08 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975SEOUL06034  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
**Film Number:** D750275-0766  
**From:** SEOUL  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t197508102/baaaaupl.tel  
**Line Count:** 134  
**Locator:** TEXT ON-LINE, TEXT ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ellisoob  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 FEB 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 FEB 2003 by ReddocGW>; APPROVED <30 JAN 2004 by ellisoob>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** <DBA CORRECTED> gwr 971002  
**Subject:** n/a  
**TAGS:** EIND, EINV, KS, US, XX  
**To:** STATE INFO AMCONGEN HONG KONG  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006